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Earnings Call

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Call Participants

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Presentation

Operator

Good day, and welcome to Despegar's Third Quarter 2024 Earnings Conference Call. My name is Jeannie, and I will be the operator for today's call. [Operator Instructions] Please note that this call is being recorded. There will be an opportunity for you to ask questions at the end of today's presentation.

Now I would like to turn the call over to Mr. Luca Pfeifer, Investor Relations. Please go ahead.

Luca Pfeifer

Good afternoon, everyone, and thanks for joining us today. In addition to reporting unaudited financial results in accordance with U.S. generally accepted accounting principles, we will discuss certain non-GAAP financial measures and operating metrics, including foreign exchange neutral calculations. Investors should carefully read the definitions of these measures and metrics included in our press release to ensure that they understand them. Non-GAAP financial measures and operating metrics should not be considered in isolation, as substitute or superior to GAAP financial measures and are provided as a supplemental information on.

Before we begin our prepared remarks, please allow me to remind you that certain statements made during the course of the discussion may constitute forward-looking statements, which are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to materially differ, including factors that may be beyond the company's control. These include, but are not limited to, expectations and assumptions related to the integration and performance of the businesses we acquire. For a description of these risks, please refer to our filings with the U.S. Securities and Exchange Commission and our press release.

Joining us on today's call are our CEO, Damian Scokin, who will kick things off with an overview of Despegar's performance in the third quarter and an update on key growth initiatives. Following Damian, Sebastian Mackinnon, our Chief of Travel Partners will share the latest on our B2B efforts; and then our CTO, Gonzalo Estebarena, will walk you through the recent advancements we have made with SOFIA, our AI travel assistance. Diving deeper into the financials, our CFO, Amit Singh will provide a detailed review of the quarter's results. Finally, Damian will wrap up our prepared remarks before we open the floor for your questions.

Damian, please go ahead.

Damian Scokin
CEO & Director

Thank you, Luca, and welcome to Despegar's Third Quarter Conference Call. We are pleased to report that our third quarter results were robust, reflecting a continuation of the positive trends we've seen through the year. Even though during the quarter, gross bookings declined slightly to $1.3 billion, this was anticipated due to the foreign exchange headwinds, particularly in Brazil and Mexico. In constant currency, our gross bookings demonstrated an industry-leading growth of 35% year-over-year, underscoring the very strong fundamental trends of our business.

Our commercial efforts during the quarter were highly successful, leading to a record high take rate of 14.6%. This significant increase was driven by two key factors: First, our continued emphasis on package sales led to a 250 basis point increase year-on-year in packaged sales as a percentage of gross bookings, reaching 33%. Second, we saw a recovery in travel demand in Argentina, where bookings increased sequentially for the first time since the fourth quarter of 2023.

We achieved this success in part to our ability to offer a comprehensive portfolio of payment options, combined with product innovation, like allowing Argentine customers to pay for international transactions in local currency. In line with this favorable trend, total revenues for the quarter increased by 9% year-over-year, reaching $194 million. Notably, non-air revenues represented 62% of our consolidated top line, further diversifying our revenue mix and in line with last year's results.

Importantly, we're adjusting for foreign exchange headwinds, our total revenues increased by 53% year-over-year, highlighting again the underlying strength of our business. Our top line growth combined with the continued focus on operational efficiency enabled us to deliver a gross margin of almost 74%, our strongest since Despegar's IPO in 2017. Key drivers of this efficiency includes cost savings in installment-related expenses and credit card process increase.

Additionally, in line with our results throughout the year, we achieved additional savings in general and administrative and technology expenses. As a result, of our improving operational efficiency, adjusted EBITDA increased 94% year-over-year, reaching $48 million, a new record for the company. Our adjusted EBITDA margin also approved 25%, making another all-time high for Despegar. This result reflect our ability to deliver profitable growth while continuing to enhance operational leverage, positioning us strongly for the future.

Also of note is the increase in adjusted net income, which rose an impressive 309% year-over-year, reaching $36 million for the quarter. As a consequence, adjusted earnings per share rose to $0.34 during the third quarter of 2024, up from $0.1 in the year ago quarter.

In our core B2C segment, gross bookings reached $1.1 billion for the quarter, decreasing 8.4% year-on-year, in line with the anticipated FX heading. Despite this temporary trend, we remain focused on our commercial strategy centered around higher-margin packages and hotel sales, particularly in Brazil and Argentina, while we experienced notable success. Our strategic focus in this market has been on offering a compelling and comprehensive product portfolio alongside a market-leading financial solutions, which are integral to travel decisions and purchases in Latin America.

In our B2B segment, we continue to see strong growth trends that have remained steady throughout the year. B2B gross bookings, which include our white level segment and comprehensive technology solutions for online and offline travel agencies grew by 23% year-over-year and now account for almost 19% of our total gross bookings. We are pleased with the sustained growth in B2B, which reflects the strength of our technological platform and the successful ramp-up of new partnerships with leading brands positioning us for continued growth in this segment.

During the quarter, we achieved another significant milestone as we redefine our long-term commercial relationship with Expedia Group. We're excited to announce the signing of a new 10-year lodging outsourcing agreement with Expedia set to take effect on January 1, 2025. This partnership not only enhances the collaboration between our companies, but also unlock substantial growth opportunities for both parties. And it's this agreement Despegar will further optimize its lodging supply, focusing on key initiatives such as our B2B white label, software-as-a-service and M&A strategy while also expanding our directly sourced hotel inventory outside Latin America.

The partnership also provides Despegar with greater flexibility to forge new strategic alliances and pursue business in complementary segments, positioning us to further strengthen our market presence across the region and beyond. This collaboration builds on our combined strength, Despegar's leading technology platform and extensive customer base and Expedia's vast global launching supply. We believe this enhanced partnership reinforces our competitive mode and will foster new growth opportunities for both companies over the next decade.

Additionally, another key financial benefits of this new agreement is that the previously recorded $155 million perpetual contingent liability on Despegar's balance sheet will now be amortized over 10 years, significantly improving our net asset position. We are thrilled to embark on this new phase of our relationship with Expedia and the evolution of the partnership underscores our commitment to delivering innovative customer-centric solutions and will further solidify our position as a leading travel technology company.

Innovation remains at the heart of Despegar's success exemplified this year by the launch of our AI-powered travel assistant, SOFIA. Since it's debut in March, SOFIA's capabilities have evolved significantly.

Today, the assistant allows customers to seamlessly search, browse and book both air and hotel services directly within the conversation prompt. This conversational approach has enhanced the user experience by offering a more personalized and efficient way to plan and book travel. Throughout this recent quarter, we made notable advances in SOFIA after sales support capabilities as well.

Customers can now easily make cost booking inquiries through SOFIA, resulting in a notable reduction in costly consensus resolutions. Furthermore, we've introduced a feature that enables customers to grow their conversation history, allowing the user to manage multiple distinct travel conversations in parallel all within the same tool. This not only improves customer satisfaction, but also reduces friction in the travel planning process. A further testament of this improvement is our NPS, net promoting score, which reached 71.1% of our highest scores for the quarter.

While these advances are impressive in their own right, the most significant development regarding SOFIA is our ability to offer as a software asset service solution to our business partners. As recently announced, we signed our first software-as-a-service agreement, and we are incredibly excited about these new growth avenues. This strategic move opens up opportunities for Despegar to leverage its AI technology beyond its own platform, allowing our B2B and white label partners to benefit from SOFIA's cutting edge capabilities.

Our goal is to integrate SOFIA into our partner platforms, effortlessly, making it a vital resource for enriching their ecosystem and elevating the customer experiences they offer. It will also be a growing source of recurring revenue and enable us to further diversify our revenue stream. Later in the call, Gonzalo will provide more details on this exciting new product offering.

I would like to highlight our loyalty program, Pasaporte Despegar, which remains a key pillar of the value proposition we offer our customers. In the quarter, the program grew by more than 50% year-over-year, reaching a milestone of 30 million loyalty members. The impact of our loyalty program provides customers with the ability to earn Pasaporte points on every transaction booked through Despegar while also accumulating loyalty points from hotels and airline programs. This dual accumulation significantly enhances the benefits and appeal of our loyalty program, making it more attractive to frequent travelers.

An important indicator of the program's success is a continued increase in redemption rates. In the third quarter, 12% of all transactions were completed using Pasaporte points, demonstrating the growing value customers place on the rewards began through Despegar. In addition to our loyalty program, our mobile app plays a crucial role in enhancing the overall customer experience.

We continuously refine the app to improve the travel search and booking process, which in turn drives cross-selling opportunities, both customer engagement and repeat booking rights. During the quarter, the app's downloads increased 47% year-over-year, reaching 19 million total downloads. Furthermore, the updated transactions now account for almost 51% of our total bookings, underscoring the growing importance of our mobile-first approach and its ability to drive organic traffic.

Once again, this quarter, we have made significant progress towards being the preferred choice for travel booking in Latin America while also expanding our margins to drive profitable growth and create additional shareholder value. We're also laying the groundwork for continued future industry-leading growth through several exciting new initiatives with Sebastian and Gonzalo will discuss shortly. This initiative represents significant opportunities to fuel our momentum and drive long-term value for both our customers and shareholders.

I will now turn the call over to Sebastian, who will walk you through our latest B2B initiative and white level partnership.

Sebastian Mackinnon

Thank you, Damian, and good day, everyone. I'm excited to share our latest advancement in the B2B segment which continues to experience remarkable growth. To recap, our B2B segment includes both our white label operations and tech ecosystem, providing online and offline travel agencies with access to our extensive travel inventory.

As outlined in previous earnings calls, we remain focused on our robust commercial strategy that leverage our top-tier technology and local expertise. This approach consistently delivers exceptional value to our partners while strengthening our leadership in the Latin American region.

As Damian noted, our third quarter B2B growth has outpaced the industry with gross booking increasingly by 23% year-over-year to nearly $250 million. This strong performance is in part driven by demand from more than 17,000 online and offline travel agencies using our inventory. A particularly exciting trend is the rising interest among online agency bookings accommodations for international clients exploring Latin America.

This trend is expanding our reach beyond our goal Latin American market, allowing us to capture new demand from international markets. Currently, our B2B growth is fueled mainly by hotels bookings. However, with the upcoming launch of our flight booking engine, we anticipate entering a new growth phase within the B2B segment, further strengthening our market position.

I'd now like to update you on our white label partnerships. This year, we prioritized onboarding 19 new clients and actively displacing competitors. Today, we operate over 80 white label partnerships across the region solidifying our position as the leading B2B player in Latin America. Recent announcements highlight our success in securing major new clients. We are currently developing tailored solutions and scaling up services for new partners onboarded in recent months.

To give you a sense of the progress we've made, I'll share some specific achievements. In the banking and loyalty program space, we now operate more than 40 partnerships across Latin America, providing solutions for over half of the top banks and loyalty programs in the region. This past quarter alone, we added 4 new deals, including one of the major banks in Brazil. The new partnership set to launch in the coming months will allow customers to redeem loyalty bonds for travel services directly accessing Despegar's market-leading inventory. This integration will provide exclusive deals available only on our partners' platform, making travel more accessible, affordable for millions.

Beyond technology in these types of partnerships, Despegar also provide customer service, post-sale support for all travel-related inquiries, ensuring our expertise supports customers at every step from booking to post travel assistance. This, combined with our ability to tailor solutions to partner needs and support diverse payments and redemption options makes our White label solutions the premier choice for financial institutions and other partners.

In the air sector, we've developed one of the most advanced packages booking engines and currently work with one of Latin America's largest airline. Today, our partnership cover operations in 8 different countries and offer packages, hotel bookings and other hotel services as well and integrations with the airlines frequent flyer program.

Importantly, we are currently in a very advanced negotiation with a prominent, fun regional airline that operates flights within Latin America to U.S. and Europe. Our solution will be fully integrated with the airlines inventory and feature automated aftersales support, all powered by our state-of-the-art technology platform.

Turning to our partnership with retailers. We've made great stride here as well. During the third quarter, we signed three new deals with retail partners in major markets, solidifying our position in the regional travel market. Our platform enables the more than 15 retailers we work with to monetize traffic, integrate specific payment methods and efficiently operate physical travel stores within their retail locations.

We also worked closely with more than 20 leading global and local hotel plans to support their package offerings. In Q3, we've signed multiple new agreements that allow these hotels to provide comprehensive travel options, leveraging our platform's best in light solution, payment flexibility and multi-market capabilities, including operations in the US.

Finally, as part of our ongoing innovation, we have developed a travel solution specifically designed for super apps. During our latest earnings call, we mentioned that we signed a white label partnership with a global ride-hailing app. Today, we are on track to launch this travel platform by the end of 2024. This partnership marks an exciting expansion into the super app space, a fast-growing sector that presents new opportunities both in Latin America and beyond.

In summary, we've built strong momentum for our B2B segment, which sets the stage for significant top line growth in the years ahead. Our partnerships are helping us to make travel more accessible, partialized and seamlessly integrated not only across Latin America, but also new markets as we expand globally. This progress in our B2B initiative underscores Despegar's potential to lead the travel technology innovation, positioning us as a global leader, not just a regional one.

With that, I will turn the call over to Gonzalo who will share some exciting new updates about SOFIA, Despegar's AI travel assistant.

Gonzalo Garcia Estebarena
Chief Technology Officer

Thank you, Sebastian, and hello, everyone. It has been nine months since we launched SOFIA publicly, and we are extremely pleased with the customer engagement feedback and evolution of this cutting-edge technology. Since its launch, SOFIA has materially improved in every respect, daily conversations continue to increase rapidly, doubling every 5 weeks on a sustained basis as we incorporate more products and services into SOFIA's knowledge base, significantly expanding her capabilities.

Growing adoption and a sharp increase in returning users to a service, which is 50% higher than just one quarter ago, signal that SOFIA's capabilities are helping set us apart in the travel inventory, offering our customers unique and tangible benefits from the moment they begin planning the trip through to the booking process.

During the quarter, we concentrated our efforts on three specific areas of focus. First and foremost, we made significant improvements to SOFIA's after sales capability and incorporated the chatbot as part of our customer service flow. Today, SOFIA can assist customers with various post-booking stuff ranging from simple answers to frequently asked questions to more complex situations like providing support during checking process, making a special request for a meal during a slide or a type of bed for a hotel stay.

These requests are then automatically relayed to the appropriate third parties, significantly streamlining the process for our customers. The primary goal of this enhancement is to provide a self-service tool that empowers customers to resolve most of their travel-related inquiries independently. This not only improves the customer journey, but also leads to a measurable reduction in call volumes at our call centers, resulting in tangible cost savings for Despegar and improved NPS.

The second focus area has centered on enhancing SOFIA's conversational ability. As we mentioned in our last earnings call, one of our primary goals is to replicate a natural human-to-human interaction with SOFIA. To bring this experience to life, we are working on giving SOFIA a voice preparing to launch SOFIA on call, which will enable customers to engage with her just as they would with a human operator over the home.

Customers will be able to discuss both sales and after sales topics in a manner that feels intelligence, empathetic and human, all leveraging the same robust infrastructure and travel technology as we've done during the past nine months with response times that are comparable to those in human interaction. Notably, conversations don't have to follow up reset flow. It can progress at the customer's discretion. Users can even interrupt SOFIA mid-response and she will instantly adapt to the new topic or, if needed, transfer the call seamlessly to a human operator.

We are very excited about this new capability and look forward to seeing how it will transform customer interactions in the future by creating a more dynamic responsive and consumer-like experience, we believe SOFIA will not only improve customer satisfaction but also depend the trust and connection customers feel with our brands while driving efficiencies in our fulfillment center. This evolution marks a significant step forward in our commitment to providing exceptional personalized service, and we can't wait to see the positive impact it will bring.

Lastly, we are focusing on developing SOFIA as a software as a service product. The improvements we are making to our customer-facing AI travel assistance are also attracting many prospective B2B customers. A major milestone on this front was the licensing agreement that we recently signed with Charisma Hotels and Resorts, our first Software as a Service partnership. As we recently announced, it marks a significant step forward for both companies.

Through this collaboration, Charisma will integrate SOFIA into their operations to enhance digital engagement with customers and offer guests a truly personalized travel experience. This partnership is our first client win as a part of our strategy to expand our B2B business through SaaS model, and it underscores the growing demand we see for Despegar's cutting-edge AI technology in the global product industry.

By licensing SOFIA to Charisma, we are not only deepening our collaboration with a valued travel partner but also positioning Charisma at the forefront of technological innovation in the hospitality industry. There are several standard features of this partnership. First, SOFIA will provide enhanced travel assistance, offering Charisma's guest in-depth knowledge of their unique hotel offerings rates and activities. This means customers will receive personalized guidance throughout our travel planning process, creating a more streamlined and engaging experience.

Second, after the search and planning process is complete, seamless booking integration will allow guests to book their accommodation directly through conversations with the SOFIA powered assistant. This simplifies the booking journey by eliminating the need for customers to reenter details on a separate preservation page, making the entire process more convenient and efficient. Another advantage is comprehensive travel support. Beyond bookings, SOFIA will use natural language processing to answer questions about travel logistics, local attractions and other destination details, providing Charisma customers with a complete travel companion.

We're incredibly excited about the potential this partnership has unlocked. Not only does it highlight the versatility and strength of our high technology, it opens the door for further expansion of our SaaS offering. We are eager to see the impact this will have on Charisma's customers' experience and look forward to extending this innovative solution to more partners in the near future.

With that, I will hand the call to Amit, who will review more of our third quarter financial results.

Amit Singh
Chief Financial Officer

Thank you, Gonzalo, and good day, everyone. Our third quarter results were very robust. Once again, we delivered solid revenue growth and record profitability, helped by continued secular demand trends across our markets. For the quarter, revenues increased by 8.9% year-over-year, reaching $194 million as we focused on profitable growth, especially in our key markets such as Brazil and Mexico and captured some demand recovery in Argentina.

Similar to what we observed in the second quarter, foreign exchange headwinds impacted our results across the region. Despite these challenges, the underlying demand remains solid, as demonstrated by our FX-neutral revenue growth which was 53% year-over-year. This underscores the strength of our business fundamentals.

Now let's take a closer look at our regional performance, starting with Brazil, our largest and most important market. During the third quarter, transactions grew by a healthy 14% year-over-year, reaching $1.2 million. This growth was driven by a rise in domestic air transactions and stronger demand for both domestic and international hotels. As anticipated, average selling prices experienced a temporary 15% decline year-over-year primarily due to the depreciation of the Brazilian real. Excluding this FX impact, gross bookings grew by 10% year-over-year, while on a reported basis, they showed a 3% decline.

Turning to Mexico, our second-largest market. Transactions declined by 22% year-over-year, in part driven by the divestiture of our Destination Management Company business during the quarter. Excluding the impact of this sale, transactions declined 14% year-over-year, primarily due to our strong strategic focus on driving profitability, FX headwinds and a significant reduction in domestic air capacity, particularly on routes to Cancun. These factors led to a temporary contraction in gross bookings of 14% on an FX-neutral basis and 22% as reported for our Mexican operations.

As for our operations in the rest of Latin America, we began to observe a positive shift in trend, particularly in Argentina, where demand was stronger than anticipated. Thanks to the tailored payment solutions we offer in Argentina, coupled with our leading product portfolio, we have gained significant market share and achieved strong take rates.

It's important to note that due to the various exchange rates applicable to transactions in Argentina, our ability to adapt and offer flexible payment options has proven to be a competitive advantage. That said, I would like to emphasize that we continue to keep our exposure to the Argentinian peso to a minimum, in line with our company policies in order to mitigate potential currency risk. However, this policy introduces FX hedging costs in our P&L.

In summary, our strong commercial execution, unmatched local market expertise and focus on profitability alongside implementing innovative payment solutions in Argentina enabled us to achieve Despegar's highest ever take rate of 14.6%. A record-setting take rate, combined with gross bookings of $1.3 billion drove revenues to $194 million, an increase of 53% in constant currency and 9% in as-reported terms.

As we have emphasized throughout the year, we continue to prioritize operating leverage and have achieved substantial efficiencies in cost of revenues. Key drivers of these savings for the quarter included a decline in installment costs and credit card processing fees in Mexico, reduced customer card expenses due to improvements in fall saw prevention performance and lower interest rates in Argentina. As a result, we reported our strongest ever gross profit margin of 73.8%, generating a total gross profit of $143.1 million, which was 18.7% higher than third quarter of 2023.

In addition to cost of revenue efficiencies, we also made significant progress in streamlining operating expenses. While selling and marketing expenses rose year-over-year, largely due to increased commission payments driven by a rapid growth in our B2B business, total operating expenses remained largely flat.

This stability drove operating leverage with regard to general and administrative technology and product and development expenses, allowing us to maintain a lean cost structure. We are pleased to announce that as a result of these efforts, we achieved record adjusted EBITDA of $48 million, representing a 94.2% year-over-year increase and an adjusted EBITDA margin of 24.8%, another record for our company.

Turning to our financial expense, which was $29 million for the quarter. This was in large part due to us moving funds into U.S. dollars and moving outside of Argentina, as I noted earlier. Then analyzing adjusted net income which excludes from GAAP net income, FX translation impacts and other primarily nonrecurring expenses, we reported an impressive $36.1 million in adjusted net income, representing a more than a fourfold improvement versus the $8.8 million that we reported in third quarter of 2023. Importantly, our adjusted EPS improved year-over-year to $0.34 from $0.01 in the same quarter last year.

In terms of operating cash flow, we generated $26.6 million this quarter compared to $12.7 million in the last quarter. Our robust operating cash flow has enabled us to further strengthen our solid financial position as capital expenditures remained steady at $7.7 million for the quarter. Our strong commercial execution has also led to a total cash balance of $220 million, an increase of $15.2 million compared to the end of second quarter of 2024.

Notably, we grew cash 7% quarter-on-quarter despite a $7 million payment to our preferred shareholders. During the quarter, we also extended around $17 million in working capital benefits through cash advances to our core travel partners as part of our strategy to strengthen our supplier relationships.

Let's turn now to our capital allocation strategy. Our approach remains centered on evaluating acquisition opportunities across Latin America and selectively beyond the region. When assessing any potential transaction, we rigorously apply a disciplined framework that examines the strategic benefits of new capabilities that enhance our offerings or competitive advantages, increase market penetration or geographic expansion.

Each opportunity then weighed against the targets implied valuation to ensure that it meets our high standards for value creation. Our focus is clear, we only perceive the transactions that can generate long-term shareholder value by delivering both revenue and cost synergies that support and complement our strong organic growth profile. With our robust cash position and favorable working capital dynamics, we have the flexibility to execute transactions efficiently.

Now looking towards the year-end, we are confident in our commercial strategy for the fourth quarter high season. Our extensive inventory, leading bundling capabilities and comprehensive payment solutions made Despegar the preferred choice across Latin America. However, FX has further moved against us since last quarter. With that in mind, we are maintaining our full year revenue guidance of at least $760 million, representing year-over-year top line growth of 8%. However, given our sustained margin expansion, we are raising our adjusted EBITDA forecast from a minimum of $160 million to at least $170 million, which equates to a year-over-year increase of 47%.

In closing, we remain confident in our ability to lead the consolidation of Latin America's travel market. And we are particularly excited about the new growth opportunities that Sebastian Gonzalo outlined with regard to our strategic B2B and SaaS initiatives. These trends, together with the strong secular tailwinds, uniquely positioned Despegar to set the pace for sustained market-leading growth in Latin America while also tapping into the $2.5 trillion global travel market.

I'll now turn the call back over to Damian for a few closing remarks.

Damian Scokin
CEO & Director

Thanks, Amit. To conclude, we are very pleased with our main significant achievements this quarter, demonstrating a strong revenue growth and a leading margin expansion despite foreign exchange challenges across Latin America. Our results reflect the strength of our business model with record levels of profitability in terms of adjusted EBITDA and adjusted net income and underscore the effectiveness of our growth strategy, commercial approach as well as operational focus and efficiency.

Our commitment to delivering outstanding value is apparent in the presence of Latin American travelers, many of whom continue to chooses Despegar as their preferred travel platform, thanks to our vast inventory, regional expertise and unmatched payment solution. This quarter, we took significant strides to strengthen our competitive edge, notably through our expanded partnership with Expedia, which enable us to leverage an unparalleled global inventory for new growth initiatives. Moreover, our recent B2B2C agreement, coupled with the significant business potential of our AI-driven travel assistant, SOFIA for the clear path forward.

Our objective is to seamlessly integrate SOFIA into a partner platform, position it as an essential tool and resource for enhancing their ecosystem and their customer experiences they deliver. This will not only help drive sustained organic growth but further diversified our portfolio of offerings, broaden our strategic mode and reinforce our status as an industry leader. These initiatives underscore our commitment to capitalizing on global growth opportunities and solidifying our leadership in an international scale.
In summary, we are posed to end the fiscal year on a strong note, bolstered by the successful execution of our growth strategies and robust market demand. Our focus remains on continuous improvement and maximizing value for our customers and stakeholders. With that, we are now ready to take your questions.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Naved Khan with B. Riley Securities.

Naved Ahmad Khan
B. Riley Securities, Inc., Research Division

I have a question on just take rate, which is very strong. How should we think about your ability to kind of maintain these kind of levels not only in Q4, but maybe if I look at 2025. Do you think this is a sustainable kind of level?

And then the other question I have is just around the Expedia renegotiation. So when should we think about the benefits that could accrue in the P&L? I know that the reset happened on January 1, but when do you think you are prepared internally to kind of take advantage of these renegotiated contracts?

Amit Singh
Chief Financial Officer

Thank you for the questions. So I'll start with the take rate question, and then I'll pass it to Damian to talk about the Expedia contract. So on take rate, as you saw in the prepared remarks, the company has a very strong focus on driving profitable growth. And that's something you can see across our P&L and how we are trending in all the geographies.

That boosted by, obviously, the packages as a proportion of bookings continuing to increase with us providing innovative payment solutions and differentiating ourselves in the market, all those are helping us to drive strong take rates, which in turn, as you saw, help us drive very strong EBITDA margin as well. But going forward, I mean, obviously, we're not guiding to 2025 right now.

But as we look over the mid, long term, we continue to believe that the right take rate for us as a company, given all the various strategies that we have in place for the coming years is around that 13% level as we have discussed in the past. So that's how I would think about it in the mid, long term. But in the short term, our strong focus on profitability is yielding very strong results on take rate.

Damian Scokin
CEO & Director

As per the impact of the renegotiation of the agreement with Expedia, I would say, first of all, that the new agreement with Expedia is transformational in at least a couple of ways. First of all, the profitability impact of being able to source directly a larger portion of our inventory and that's going to start a bit reflected on our P&L as early as the first quarter of next year.

We will gradually ramp that up, and we should start being reflected as early as the first quarter. But more importantly, the flexibility options in terms of our growth strategy that, that opens is significant because we will be able to source in a more competitive way from different regions of the world. And the growth of our B2B business beyond LatAM relies significantly on that achievement.

Naved Ahmad Khan
B. Riley Securities, Inc., Research Division

And then maybe just a follow-up to your answer, Amit, on the margin. So what are the puts and takes that can bring the 14% plus kind of take rate down to 13%? I know B2B probably is lower, but just give us thoughts there.

Amit Singh
Chief Financial Officer

Yes. So I think B2B, you mentioned that's one of the factors. But also, in our mind, we also think going forward, we have to take an approach that the air take rates could possibly come down from current levels. So we have -- and then for us also, we are driving a lot of other strategies which help us gain market share in various regions, and that could have some impact on take rate in the coming years. So when we combine all of those factors, that's what's right now leading us to believe that in the mid, long term, that 13% is the right level for us to operate at.

Naved Ahmad Khan
B. Riley Securities, Inc., Research Division

And then a very quick clarification, if I could. There was some impact from the storms, I guess, on the bookings. I think we mentioned that on the previous call. Do you have any number to share in terms of what that impact was in the third quarter?

Amit Singh
Chief Financial Officer

I think right now, the overall impact, as we discussed, is pretty much the same from those storms. It's around that 10-ish million impact. The only incremental impact that we had to our revenues was more from FX since last quarter to this quarter. I think none of those other factors had any other incremental impact, but FX got further weaker for us since last quarter, and that is having an incremental around 10-ish million impact to our full year revenue expectations. So -- and we highlighted that in our script.

Operator

Your next question comes from the line of Andrew Ruben with Morgan Stanley.

Andrew R. Ruben
Morgan Stanley, Research Division

Hoping to dig in a bit more on Argentina. You mentioned a few times, but it seems like there was really an inflection in the quarter. So hoping if you could break down what changed from a top-down perspective versus company initiatives and kind of within your company initiatives -- you mentioned the FX arrangement. So trying to understand how impactful that was, really just any bridge to understand what changed top-down, bottom-up in Argentina this quarter would be very helpful.

Damian Scokin
CEO & Director

On Argentina, I will start with the market. The market in the third quarter evolved on a positive trend, although still very well below 2023 levels. Within that market, we were particularly effective gaining market share, as Amit explained, by offering payment methods and payment and alternatives that help our customers pay less for their travel through implementing what we call the monetary strategy, which has to do with the different FX regulations that are in Argentina.

So we were able to provide our customers with a unique payment value proposition that helped us gain significant market share. As we expect that to continue in Q4, both the underlying market positive evolution and our share gain. As you know, Argentina is going through a very positive momentum, and we're very excited also regarding what's going -- what the market is going to look like in 2025.

Andrew R. Ruben
Morgan Stanley, Research Division

And I know you spoke about the take rate overall, but I think in the presentation, Argentina was called out as one of the positive drivers for take rate. Similarly, do you see that market being a sustained higher take rate or anything that we should consider reverting there? I know you talked about the company's overall drivers, but just understanding if there's any Argentina nuance to the take rate to consider.

Amit Singh
Chief Financial Officer

So yes, in Argentina, I would say, given what Damian was describing, we are being able to differentiate ourselves materially and also the products and all that we are offering is helping us drive strong take rates in the market. In the near midterm, we do expect that differentiation to remain but as I'm talking about our longer-term expectation and take rate coming down or our longer-term expectation of that 13-ish percent take rate, we are also taking that into account that potentially some of that higher take rate trends in the other direction. But all that is built into our mid- to long-term expectations for take rate.

But to Damian's point, right now, the solutions that we are providing is helping us cement our leadership position in Argentina and take very strong market shares. More than just the take rate and all, take very strong or gain significant market share in the region.

Operator

Your next question comes from the line of Kevin Kopelman with TD Cowen.

Kevin Campbell Kopelman
TD Cowen, Research Division

Could you give us -- could we start off by talking about the Q4 trends a little bit, in particular, what are you seeing quarter-to-date in transaction growth. It looks like in Q3, that was about 2% ex the divestiture, and you mentioned some of the Mexico pressure, so I was just wondering how that was kind of trending this quarter.

Amit Singh
Chief Financial Officer

I mean, look, our guidance sort of -- we don't specifically guide to transactions, but our guidance of revenue for the full year and for EBITDA does imply sort of year-over-year growth in both of those metrics. Q4 is important for us and especially that it is generally the strongest quarter in the region and generally, the second half of November and first part of December is the high season when it comes to travel.

But we feel very -- what I can say is very confident about the guidance that we have provided. Obviously, the trends both on top line -- despite unusually strong FX headwinds this year, the trends in top line remain solid, and our overall progress towards -- on the margin side also continues to be extremely solid.

Kevin Campbell Kopelman
TD Cowen, Research Division

And maybe just to drill into the Mexico trends, you noted the kind of some of the temporary pressures there. Is that like temporary Q3 or do you see it more of like maybe like a 4-quarter thing on the air capacity? And then once we anniversary it will start looking better?

Amit Singh
Chief Financial Officer

Yes. I mean some of the air capacity impact could go will go in 4Q as well and then the FX headwinds that have happened in including Mexico and in other regions as well that impact should happen in Q4 as well, and that's included in the guidance that we are providing.

But to your point, as we move into the following years, 2025 and beyond, I mean, this year is exceptional when it comes to the FX headwinds that are there. So at least at this point, we don't expect these type of material headwinds to happen in the coming years. So that should be positive for the company as we are looking at sort of the following years, especially when it comes to bookings and revenue growth in dollar terms.

Kevin Campbell Kopelman
TD Cowen, Research Division

And then could you give your kind of -- I mean you kind of touched on it there, but just how you're thinking about growth versus margins next year initially?

Amit Singh

Chief Financial Officer

Yes. So I mean, to be very open. We are currently in the middle of our budgeting process. And at this point, obviously, we don't guide to next year. As we have discussed in the past, our goal is drive -- we've talked about a lot of strategic growth initiatives for our company. In the past quarters, we did talk about, for us, starting investing, for example, in our SaaS solutions.

And then now as Gonzalo mentioned, and as Sebastian was mentioning, we've already started winning clients in that area. We have talked about investments in technology. And through that SaaS solutions, now we are actually licensing our technology. So we have a lot of -- along with that, we have a lot of growth initiatives, which we believe should help us drive industry-leading growth for the foreseeable future.

And as we are going through our budgeting process, we'll evaluate what type of investments will be required in the near midterm for those type of initiatives. We also need to evaluate what type of fee strategy we need to drive in various geographies. So all that will help us determine how should the margins and all look for sort of next year. But what I can tell you is like the business as usual if we operate business as usual without going into any initiatives and all, the trend remains positive.

But as it should be for any company, our goal is to how do we position this company not just for growth next year, but how do we position this company for a sustained industry-leading growth over the mid, long term. So our investment decisions will be very much based on that mid long-term industry-leading growth-creation standpoint.

Kevin Campbell Kopelman
TD Cowen, Research Division

And then just on -- with B2B accelerating, is there anything to call out on the take rate or EBITDA margin side as we think about that mix shift over the next year going forward?

Amit Singh
Chief Financial Officer

Yes. I mean, on EBITDA level, largely similar-ish. Some of the white labels have -- depending on the clients, you would have different margin profile, but EBITDA margin profile. But broadly, I would say, similarly adjusted EBITDA margin profile for B2C side versus the B2B side. I would say, if you look at the B2B growth, which is about 20%, and maybe Sebastian can add more to it, we're very excited about where that business is going, not just in the type of white label solutions, we are winning and hopefully, we can announce more and more -- and there's always some restrictions in how much we can announce as well.

But hopefully, we can announce more and more in the coming quarters to give everyone an idea of the strong scale we are achieving there. But also on the other side, what we are doing with agencies and tapping into the offline market, which is almost 50% of Latin American market, through our B2B solutions. So I don't know, Sebastian, if you want to add anything over there, but very excited about where B2B will go for us in the coming years.

Sebastian Mackinnon

Yes. Totally agree. We are -- I'm sure we are building a strong momentum in our B2B segment. We are setting the stage for a significant [indiscernible] coming to us. I'm very motivated by three main initiatives. The first one we have incorporated more than 3,500 off-line and online agencies, so we are nowadays totalizing 17,000 agencies. Secondly, we have onboarded more than 19 new call labels and partners.

So we are now operating with more than 80 partners. And finally, we are about to launch our flight booking engine. So up to now, we were only fueling our growth from hotel bookings, so flight is coming and I'm sure that will help a lot. Well, as said a while ago, we are now expanding our B2B globally also. So I'm very confident of the strong momentum we are building on the B2B segments.

Operator

Our final question is via the webcast from Walter Chiarvesio of Santander. What is the real impact of FX in Mexico and Brazil? Only AST or travelers are retracting consumption due to higher cost of traveling mainly abroad, affecting numbers of transactions, too. Do you expect this to improve in the short term?

Damian Scokin
CEO & Director

Yes, in the Mexican market, we see both a decline at the market level of transactions, coupled on compounded with the FX decline. What we see is obviously the foreign travel is becoming more expensive, and there's also the challenge of reduced air capacity. We expect some of these factors to be temporary, particularly air capacity, although the FX is more of a question mark.

Having said that, Mexico remains a very large market for us, and we are striving to regain revenue growth momentum there, and we're very optimistic about the next few months and being able to -- for the market to recover.

Operator

There are no further questions at this time. I will now turn the call over to Mr. Scokin for any closing remarks.

Damian Scokin
CEO & Director

I just wanted to thank you all for your interest in Despegar, and your participation, and we look forward to seeing you again in our next call in which we will share with you our fourth quarter results. Thank you all, and take care.

Operator
This concludes today's conference call. You may now disconnect.